

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name District Health Department, No. 10	County Missaukee
Fiscal Year End 9/30/2007	Opinion Date February 18, 2008	Date Audit Report Submitted to State March 3, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

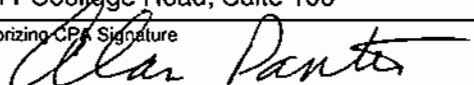
50
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Alan D. Panter, CPA	
		License Number 1101020708	

**District Health Department No. 10
White Cloud, Michigan**

FINANCIAL STATEMENTS

September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Public Health
District Health Department No. 10
White Cloud, Michigan

We have audited the financial statements of the governmental activities and the major fund of District Health Department No. 10, a component unit of Missaukee County, Michigan as of and for the year ended September 30, 2007, which collectively comprise the Department's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of District Health Department No. 10 as of September 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2008, on our consideration of District Health Department No. 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and are not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2007

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended September 30, 2007, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Department exceeded its liabilities at September 30, 2007, by \$642,376 at the government-wide level. Of this amount, \$301,111 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets decreased \$119,553 as a result of this year's operations.
- As of September 30, 2007, the Department's governmental fund reported an ending fund balance of \$847,671, a decrease of \$23,017.
- As of September 30, 2007, the unreserved and undesignated fund balance was \$534,507.

Overview of the Financial Statements

The District Health Department No. 10's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Department. They present an overall view of the Department's finances, reporting the assets and liabilities on fiscal year ending September 30, 2007.

The statement of net assets presents information on all of the District Health Department No. 10's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during fiscal year 2006/07. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the District Health Department No. 10's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, local, and contributions. The governmental activities of the Department are all considered health and sanitation programs. The Department does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the District Health Department No. 10.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Health Department No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

District Health Department No. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2007

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District Health Department No. 10 adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 1-6 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information, including a combining statement of revenues and expenditures by program as well as information concerning expenditures of federal awards can be found on pages 16-34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of District Health Department No. 10, assets exceeded liabilities by \$642,376. A comparative analysis of data with the previous fiscal year is as follows:

	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,177,347	\$ 1,611,256
Capital assets	<u>341,265</u>	<u>358,339</u>
Total assets	2,518,612	1,969,595
Current liabilities	<u>1,876,236</u>	<u>1,207,666</u>
Net assets		
Invested in capital assets	341,265	358,339
Unrestricted	<u>301,111</u>	<u>403,590</u>
Total net assets	<u>\$ 642,376</u>	<u>\$ 761,929</u>

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) decreased by \$102,479. This represents a decrease of approximately 25 percent. Net assets invested in capital assets stands at \$341,265. The current level of total net assets for our governmental activities stands at \$642,376, or approximately 5 percent of annual expenses.

District Health Department No. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2007

The following table shows the changes of net assets for the years ended September 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Program revenues		
Charges for services	\$ 3,604,305	\$ 3,646,923
Operating grants and contributions	8,331,881	6,042,925
General revenue		
County appropriations	2,706,290	2,663,150
Cigarette tax	106,444	-
Interest	55,550	36,750
Miscellaneous	<u>-</u>	<u>2,631</u>
Total revenues	14,804,470	12,392,379
Program Expenses	<u>14,924,023</u>	<u>12,221,568</u>
Change in net assets	<u>\$(119,523)</u>	<u>\$ 170,811</u>

Total revenues and expenses increased approximately 20% over last year, primarily related to normal economic cost increase factors as well as costs associated with the increased levels of grant funding.

Financial Analysis of the Government's Fund

As noted earlier, the District Health Department No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund: The focus of the District Health Department No. 10's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District Health Department No. 10's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District Health Department No. 10's governmental fund reported an ending fund balance of \$847,671; a decrease of \$23,017 in comparison with the prior year. Of this total, \$313,164 has been reserved for prepaid expenditures. The unreserved and undesignated fund balance at September 30, 2007 was \$534,507.

As a measure of the governmental fund's liquidity, it may be useful to compare unreserved (designated and undesignated) fund balance, total fund balance, and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance (\$534,507) and total fund balance (\$847,671) represent approximately 3.6 percent and 5.7 percent, respectively, of total fund expenditures. The Department has no designations of fund balance.

Governmental Fund Budgetary Highlights

Over the course of the year, the District Health Department No. 10's Board of Health may amend the budget to take into account events that occur during the year. For the year ended September 30, 2007, the budget was amended by minor amounts to maintain consistency with actual activities for the fiscal year. In total, the agency's amended expenditure budget changed from \$12,504,894 to \$12,594,290.

District Health Department No. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2007

Capital Asset and Debt Administration

Capital Assets: The District Health Department No. 10's investment in capital assets as of September 30, 2007, amounts to \$341,265 (net of accumulated depreciation).

Long-term Obligations: The Department has no long-term liabilities. The total accumulated compensated absences were \$546,560 at September 30, 2007. This entire amount is classified as a current liability.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending September 30, 2008, close monitoring of State budget actions will continue to be important related to further possible cuts in funding provided through State grant agreements and other State funding mechanisms such as Medicaid Cost-Based and Rate-Based Reimbursement supplements. Similarly it will be important to closely monitor environmental health permit applications activity and related fee revenues to determine if recent declines will continue. Because these funding sources represent such a substantial portion of the agency's operating budget, changes in the levels of funding have a significant impact on the types and levels of service that District Health Department No. 10 is able to provide.

Because the services of the District Health Department No. 10 are provided based on need and not the ability to pay, and the financial condition of the agency is generally sound, the budget for the fiscal year ending September 30, 2008 included only normal economic increases in fees charged for services to the general public related to the corresponding increased operating costs to provide them and related to the levels of county funds appropriated.

Requests for Information

This financial report is designed to provide a general overview of the District Health Department No. 10's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Administrative Services Director
District Health Department No. 10
1049 Newell
P.O. Box 850
White Cloud, MI 48349

BASIC FINANCIAL STATEMENTS

District Health Department No. 10

STATEMENT OF NET ASSETS

September 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 487,830
Due from other governmental units	
Federal/State	892,955
Local	31,188
Due from other units	125,005
Prepays	313,164
Inventories	<u>327,205</u>
Total current assets	2,177,347
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>341,265</u>
TOTAL ASSETS	2,518,612
LIABILITIES	
Current liabilities	
Accounts payable	282,432
Accrued wages	175,757
Other accrued liabilities	152,815
Unearned revenue	718,672
Compensated absences	<u>546,560</u>
TOTAL LIABILITIES	<u>1,876,236</u>
NET ASSETS	
Invested in capital assets	341,265
Unrestricted	<u>301,111</u>
TOTAL NET ASSETS	<u>\$ 642,376</u>

See accompanying notes to financial statements.

District Health Department No. 10

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Personal health	\$ 12,574,382	\$ 2,632,447	\$ 7,369,673	\$ (2,572,262)
Environmental health	2,349,641	971,858	962,208	(415,575)
Total	<u>\$ 14,924,023</u>	<u>\$ 3,604,305</u>	<u>\$ 8,331,881</u>	(2,987,837)
General revenues				
Interest				55,550
County appropriations				
Regular				1,530,576
Other				1,175,714
Cigarette tax				<u>106,444</u>
Total general revenues				<u>2,868,284</u>
Change in net assets				(119,553)
Net assets, beginning of the year				<u>761,929</u>
Net assets, end of the year				<u>\$ 642,376</u>

See accompanying notes to financial statements.

District Health Department No. 10

GOVERNMENTAL FUND BALANCE SHEET

September 30, 2007

	Special Revenue
ASSETS	
Cash	\$ 487,830
Due from other governmental units	
Federal/State	892,955
Local	31,188
Due from other units	125,005
Prepays	313,164
Inventories	327,205
	<hr/>
TOTAL ASSETS	<u>\$ 2,177,347</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 282,432
Accrued wages	175,757
Other accrued liabilities	152,815
Deferred revenue	718,672
	<hr/>
TOTAL LIABILITIES	1,329,676
FUND BALANCE	
Reserved for	
Prepays	313,164
Unreserved	
Undesignated	534,507
	<hr/>
TOTAL FUND BALANCE	<u>847,671</u>
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,177,347</u>

See accompanying notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2007

Total fund balance - governmental fund **\$ 847,671**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$	949,205	
Accumulated depreciation is		<u>(607,940)</u>	
			341,265

Certain liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Those liabilities at year-end consist of:

Compensated absences		<u>(546,560)</u>	
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Net assets of governmental activities		<u><u>\$ 642,376</u></u>	
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See accompanying notes to financial statements.

District Health Department No. 10

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2007

	Special Revenue
REVENUES	
Licenses and permits	\$ 875,219
Intergovernmental	
Federal/State	8,328,910
Contributions from local units	2,971
Charges for services	2,726,340
Interest and rents	55,550
Other	2,746
	<hr/>
TOTAL REVENUES	11,991,736
EXPENDITURES	
Current	
Salaries and wages	6,322,822
Fringe benefits	3,100,304
Board of health	33,075
Supplies and materials	2,766,807
Printing and publishing	17,447
Contractual	589,648
Communications	77,404
Travel	419,523
Insurance	118,427
Repairs and maintenance	32,853
Rent expense	1,194,825
Educational training	31,065
Capital outlay	123,287
	<hr/>
TOTAL EXPENDITURES	14,827,487
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,835,751)
OTHER FINANCING SOURCES	
County appropriations - regular	1,530,576
County appropriations - other	1,175,714
Cigarette tax	106,444
	<hr/>
TOTAL OTHER FINANCING SOURCES	2,812,734
	<hr/>
NET CHANGE IN FUND BALANCE	(23,017)
Fund balance, beginning of period	870,688
	<hr/>
Fund balance, end of period	\$ 847,671
	<hr/>

See accompanying notes to financial statements.

District Health Department No. 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Net change in fund balance - governmental fund **\$ (23,017)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	97,449	
Depreciation expense		<u>(114,523)</u>	
Excess of depreciation expense over capital outlay			(17,074)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences		<u>(79,462)</u>
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Change in net assets of governmental activities	\$	<u>(119,553)</u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District Health Department No. 10 is a municipal authority comprising Crawford, Kalkaska, Lake, Manistee, Mason, Mecosta, Missaukee, Newaygo, Oceana, and Wexford Counties. It operates under an appointed Board of Health and provides services to its residents in the area of public health. The Health Department is considered a component unit under the oversight authority of the County of Missaukee. As such, it is an integral part of Missaukee County's reporting entity.

The District Health Department's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Department are discussed below.

The primary revenues of the District Health Department No. 10 are charges for services, Federal and State grants and County appropriations.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the District Health Department No. 10. The Department is considered a component unit of Missaukee County.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Department as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Department and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Department.

FUND FINANCIAL STATEMENTS

The Department uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Department's individual major fund.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Department is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Department, which are restricted to expenditures for specified health related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Department reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Department receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Department is prepared by Department management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Department's payroll and accounts payable checking account, imprest cash, and cash on deposit with the Missaukee County Treasurer.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Receivables and Deferred Revenue

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

The Department has recorded deferred revenue at both the government-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end. Deferred revenue has also been recorded for various grant programs when cash has been received before the related expenditures have been made and the grant dollars are therefore unearned.

7. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan.

8. Prepaids

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures/expenses.

9. Capital Assets

Capital assets include equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	3 - 7 years
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The Department has no assets that would be classified as infrastructure assets.

10. Compensated Absences

The Department employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability in the government-wide financial statements.

11. Comparative Data

Comparative data for the prior year have not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Department is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The cash caption on the balance sheet includes \$5,448 in imprest cash and \$482,382 in cash that is on deposit with the Missaukee County Treasurer. The cash on deposit with the Missaukee County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Department has not adopted a policy that indicates how the Department will minimize credit risk if/when the Department has investments that are subject to this type of risk.

Interest rate risk

The Department has not adopted a policy that indicates how the Department will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Department has investments that are subject to this type of risk.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B: CASH - CONTINUED**Concentration of credit risk**

The Department has not adopted a policy that indicates how the Department will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Department's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Department has investments that are subject to this type of risk.

NOTE C: CAPITAL ASSETS

The following provides a summary of the changes in capital assets for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007
Governmental activities:				
Equipment	\$ 851,756	\$ 97,449	\$ -	\$ 949,205
Less accumulated depreciation for:				
Equipment	(493,417)	(114,523)	-	(607,940)
Capital assets, net	<u>\$ 358,339</u>	<u>\$(17,074)</u>	<u>\$ -0-</u>	<u>\$ 341,265</u>

Depreciation expense has been allocated to governmental functions as follows: Personal Health \$96,199, and Environmental Health \$18,324.

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Health Department for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts due within one year
Accumulated compensated absences	<u>\$ 467,098</u>	<u>\$ 556,727</u>	<u>\$(477,265)</u>	<u>\$ 546,560</u>	<u>\$ 546,560</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Accumulated Compensated Absences

In accordance with Department personnel policies, individual employees have rights upon termination of employment to receive payment for unused vacation time and sick leave under the formulas and conditions specified in the personnel policies. The dollar amount of these rights (vested and probable to vest) including related payroll taxes amounted to \$546,560 for compensated absences at September 30, 2007. This amount has been recorded in the government-wide financial statements.

Accumulated compensated absences represent a liability to the Department which is presented as current in the Statement of Net Assets. Payments to employees for accumulated compensated absences are recorded as expenditures when they are used and payments are actually made to the employees.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E: DEFINED BENEFIT RETIREMENT PLANPlan Description

The Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Department. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires no contributions from covered employees. The Department is required to contribute all amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2007, the Department's annual pension cost of \$575,508 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.0 % investment rate of return (b) projected salary increases of 4.5 % per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten (10) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over an open period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$12,471,605	\$12,863,830	\$13,477,983
Actuarial accrued liability (AAL) (entry age)	18,759,839	19,592,729	20,363,714
Unfunded AAL	6,288,234	6,728,899	6,885,731
Funded ratio	66 %	66 %	66 %
Covered payroll	1,961,698	1,918,813	1,986,226
UAAL as a percentage of covered payroll	321 %	351 %	347 %

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 492,423	\$ 576,907	\$ 575,508
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE F: DEFINED CONTRIBUTION RETIREMENT PLAN

The Department has a 401-K, single employer defined contribution plan, available to all employees of the Department. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will received depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who have completed twelve months of service are eligible to participate.

The plan allows each employee to determine his/her own contribution, not to exceed the lesser of \$40,000 or 100% of his or her salary, according to current provisions of the Internal Service Code. The Department contributes 5% of the employees' salary. These contributions are not dependent of the participation of the employees. Additionally, the Department will match up to 3% of employee contributions. The plan uses the accrual basis of accounting with investments stated at market.

Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending September 30, 2007; the Department's contribution to the plan was \$315,219. Employee contributions to the plan were \$117,710 for 2007.

NOTE G: RISK MANAGEMENT

The Department carries commercial insurance for the risk of loss due to workers' compensation claims.

The Department also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. Members of the State pool do not have individual self-insured retention amounts other than a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$5 million for liability and about \$5 million for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Department has not been informed of any special assessments being required.

NOTE H: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following are the fund balance reserves as of September 30, 2007:

Reserved for prepaids	<u>\$ 313,164</u>
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NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the Budgetary Comparison Schedule reported as Required Supplementary Information, the Department's budgeted expenditures in the Special Revenue Fund have been shown at the functional classification level. The approved budget of the Department has been adopted at the total expenditure level.

During the period ended September 30, 2007, the Department incurred expenditures in excess of the amounts appropriated at follows:

<u>Final Amounts Appropriated</u>	<u>Actual Amounts Expended</u>	<u>Variance</u>
\$12,594,290	\$14,827,487	\$ 2,233,197

REQUIRED SUPPLEMENTARY INFORMATION

District Health Department No. 10

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,013,880	\$ 896,880	\$ 875,219	\$ (21,661)
Intergovernmental				
Federal/State	5,863,199	5,844,532	8,328,910	2,484,378
Contribution from local units	60,000	60,000	2,971	(57,029)
Charges for services	2,733,175	2,932,444	2,726,340	(206,104)
Interest and rents	29,298	49,298	55,550	6,252
Other	5,000	8,000	2,746	(5,254)
TOTAL REVENUES	9,704,552	9,791,154	11,991,736	2,200,582
EXPENDITURES				
Current				
Salaries and wages	6,273,523	6,298,341	6,322,822	(24,481)
Fringe benefits	3,048,512	3,052,849	3,100,304	(47,455)
Board of health	29,000	29,000	33,075	(4,075)
Supplies and materials	524,479	594,970	2,766,807	(2,171,837)
Printing and publishing	21,796	20,584	17,447	3,137
Contractual	667,365	648,492	589,648	58,844
Communications	90,000	80,000	77,404	2,596
Travel	422,176	427,294	419,523	7,771
Insurance	118,450	118,450	118,427	23
Repairs and maintenance	31,000	31,000	32,853	(1,853)
Rent expense	1,178,270	1,178,270	1,194,825	(16,555)
Educational training	30,323	37,040	31,065	5,975
Capital outlay	70,000	78,000	123,287	(45,287)
TOTAL EXPENDITURES	12,504,894	12,594,290	14,827,487	(2,233,197)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,800,342)	(2,803,136)	(2,835,751)	(32,615)
OTHER FINANCING SOURCES				
County appropriations - regular	1,530,548	1,530,548	1,530,576	28
County appropriations - other	1,166,180	1,166,180	1,175,714	9,534
Cigarette tax	103,614	106,408	106,444	36
TOTAL OTHER FINANCING SOURCES	2,800,342	2,803,136	2,812,734	9,598
NET CHANGE IN FUND BALANCE	-0-	-0-	(23,017)	(23,017)
Fund balance, beginning of year	870,688	870,688	870,688	-0-
Fund balance, end of year	\$ 870,688	\$ 870,688	\$ 847,671	\$ (23,017)

OTHER SUPPLEMENTARY INFORMATION

District Health Department No. 10

COMBINING SCHEDULE OF REVENUES, OTHER FINANCING SOURCES, AND
EXPENDITURES BY PROGRAM

Year Ended September 30, 2007

	Agency	Environmental Health	Personal Health	MIHP
REVENUES				
Licenses and permits	\$ -	\$ 875,219	\$ -	\$ -
Intergovernmental				
Federal/State	-	962,208	495,992	153,410
Contributions from local units	-	-	2,971	-
Charges for services	-	96,639	21,373	1,266,479
Interest and rents	55,550	-	-	-
Other	2,636	-	-	-
TOTAL REVENUES	58,186	1,934,066	520,336	1,419,889
EXPENDITURES				
Current				
Salaries and wages	714,273	1,276,796	307,233	711,187
Fringe benefits	364,139	622,602	140,405	321,178
Board of health	33,075	-	-	-
Supplies and materials	54,476	23,923	5,763	9,846
Printing and publishing	1,582	2,872	2,119	3,353
Contractual	98,944	1,840	38	149,297
Communications	8,799	15,509	3,510	7,703
Travel	35,420	134,719	12,207	60,645
Insurance	13,095	23,528	5,415	12,498
Repairs and maintenance	3,609	6,419	1,365	3,329
Rent expense	136,585	236,854	53,823	123,272
Educational training	9,370	642	1,000	45
Capital outlay	36,146	1,205	-	30
TOTAL EXPENDITURES	1,509,513	2,346,909	532,878	1,402,383
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,451,327)	(412,843)	(12,542)	17,506
OTHER FINANCING SOURCES				
County appropriations - regular	1,530,576	-	-	-
County appropriations - other	1,175,714	-	-	-
Cigarette tax	106,444	-	-	-
TOTAL OTHER FINANCING SOURCES	2,812,734	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 1,361,407	\$ (412,843)	\$ (12,542)	\$ 17,506

WIC	MCIR	Breast and Cervical	Health Promotion	Wise Woman	Family Planning
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,118,726	183,925	178,078	47,531	106,575	356,921
-	-	-	-	-	-
700	-	78,856	21,461	109,687	198,547
-	-	-	-	-	-
100	-	10	-	-	-
1,119,526	183,925	256,944	68,992	216,262	555,468
682,514	75,092	173,126	115,694	135,698	575,234
359,092	37,001	91,284	55,297	67,024	275,718
-	-	-	-	-	-
20,441	1,010	6,696	12,785	23,162	97,323
100	-	3,357	317	-	2,329
9,944	22,060	14,052	2,516	126	24,021
9,032	890	2,060	954	1,802	7,185
32,041	2,555	10,620	6,716	6,634	22,328
13,501	1,348	3,658	1,846	2,433	10,539
3,770	360	854	1,026	695	3,068
142,772	13,699	34,927	16,472	25,635	105,793
1,229	100	71	225	-	4,130
1,106	-	-	-	-	74,906
1,275,542	154,115	340,705	213,848	263,209	1,202,574
(156,016)	29,810	(83,761)	(144,856)	(46,947)	(647,106)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
\$ (156,016)	\$ 29,810	\$ (83,761)	\$ (144,856)	\$ (46,947)	\$ (647,106)

**COMBINING SCHEDULE OF REVENUES, OTHER FINANCING SOURCES, AND
EXPENDITURES BY PROGRAM - CONTINUED**

Year Ended September 30, 2007

	CSHCS Local Based Services	Beach Monitoring	Immunization Action Grant	Tobacco Coalition
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	166,366	17,846	2,647,919	25,000
Contributions from local units	-	-	-	-
Charges for services	65	-	586,291	-
Interest and rents	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	166,431	17,846	3,234,210	25,000
EXPENDITURES				
Current				
Salaries and wages	89,618	6,413	424,837	13,756
Fringe benefits	48,260	2,498	223,494	6,844
Board of health	-	-	-	-
Supplies and materials	1,313	77	2,422,987	283
Printing and publishing	-	-	128	-
Contractual	90	10,080	-	-
Communications	1,077	88	5,233	171
Travel	1,847	1,035	7,846	510
Insurance	1,842	30	9,342	245
Repairs and maintenance	445	32	2,475	78
Rent expense	18,221	896	85,569	2,650
Educational training	178	-	1,200	-
Capital outlay	-	-	288	-
TOTAL EXPENDITURES	162,891	21,149	3,183,399	24,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,540	(3,303)	50,811	463
OTHER FINANCING SOURCES				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 3,540	\$ (3,303)	\$ 50,811	\$ 463

HIV Ryan White Title II	Abstinence	Teen Parenting	Hearing and Vision	HOPWA	TENCON
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75,221	162,000	64,963	253,836	49,016	-
-	-	-	-	-	-
-	-	-	23,179	-	197,000
-	-	-	-	-	-
-	-	-	-	-	-
75,221	162,000	64,963	277,015	49,016	197,000
30,247	68,412	33,501	109,217	18,232	114,358
13,526	31,987	15,615	72,563	8,372	49,834
-	-	-	-	-	-
5,297	2,957	3,219	2,269	241	1,558
-	-	-	-	-	842
10,390	18,382	1,683	-	14,721	10,005
605	624	288	1,671	288	1,139
1,919	5,723	2,013	11,660	1,127	7,454
669	1,395	792	3,149	158	2,011
183	295	99	908	86	458
5,075	12,894	6,121	27,971	2,493	19,102
-	320	380	-	-	-
-	-	-	752	-	-
67,911	142,989	63,711	230,160	45,718	206,761
7,310	19,011	1,252	46,855	3,298	(9,761)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
\$ 7,310	\$ 19,011	\$ 1,252	\$ 46,855	\$ 3,298	\$ (9,761)

COMBINING SCHEDULE OF REVENUES, OTHER FINANCING SOURCES, AND
EXPENDITURES BY PROGRAM - CONTINUED

Year Ended September 30, 2007

	Pandemic Flu	Communicable Disease	0-5 Grant Newaygo	0-3 Grant Lake, Mason Oceana
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	125,838	192,170	83,601	139,536
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	125,838	192,170	83,601	139,536
EXPENDITURES				
Current				
Salaries and wages	44,907	168,751	36,250	78,605
Fringe benefits	15,129	72,131	17,245	40,263
Board of health	-	-	-	-
Supplies and materials	2,980	8,964	551	5,498
Printing and publishing	-	-	-	-
Contractual	11,339	21	6,300	879
Communications	666	1,972	508	962
Travel	3,932	5,479	2,687	10,459
Insurance	371	2,375	559	1,581
Repairs and maintenance	290	774	213	390
Rent expense	5,714	27,368	6,663	15,144
Educational training	700	559	-	2,977
Capital outlay	-	-	-	5,246
TOTAL EXPENDITURES	86,028	288,394	70,976	162,004
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,810	(96,224)	12,625	(22,468)
OTHER FINANCING SOURCES				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 39,810	\$ (96,224)	\$ 12,625	\$ (22,468)

Cancer Prevention	Lead Hemoglobin	Emergency Preparedness	CVD	IMMS Field Rep	Maternal Child Health
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95,746	-	229,628	53,000	117,984	65,000
-	-	-	-	-	-
-	32,689	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
95,746	32,689	229,628	53,000	117,984	65,000
31,855	20,178	100,929	3,263	-	36,129
13,252	11,148	46,864	2,007	-	18,530
-	-	-	-	-	-
1,886	520	1,959	1,884	771	534
37	-	-	-	-	-
29,392	-	16,396	33,500	94,917	563
401	241	803	325	473	562
4,114	449	9,708	4,235	-	2,332
451	459	2,421	626	-	588
116	104	309	112	-	237
5,124	4,348	18,148	5,823	6,926	7,078
-	-	540	570	-	720
-	-	-	-	-	-
86,628	37,447	198,077	52,345	103,087	67,273
9,118	(4,758)	31,551	655	14,897	(2,273)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
\$ 9,118	\$ (4,758)	\$ 31,551	\$ 655	\$ 14,897	\$ (2,273)

COMBINING SCHEDULE OF REVENUES, OTHER FINANCING SOURCES, AND
EXPENDITURES BY PROGRAM - CONTINUED

Year Ended September 30, 2007

	NMSAS	Girls on the Run	5 to 8 Grant	STD
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	-	-	16,968	-
Contributions from local units	-	-	-	-
Charges for services	7,705	85,669	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	7,705	85,669	16,968	-0-
EXPENDITURES				
Current				
Salaries and wages	4,538	22,229	1,003	22,555
Fringe benefits	1,706	10,895	730	10,341
Board of health	-	-	-	-
Supplies and materials	48	39,447	32	318
Printing and publishing	-	236	-	-
Contractual	-	-	7,950	-
Communications	47	197	18	293
Travel	316	2,223	-	643
Insurance	48	570	16	300
Repairs and maintenance	30	43	9	105
Rent expense	668	4,057	180	3,901
Educational training	-	100	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	7,401	79,997	9,938	38,456
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	304	5,672	7,030	(38,456)
OTHER FINANCING SOURCES				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 304	\$ 5,672	\$ 7,030	\$ (38,456)

Lake County 3 to 5	0 to 3 Grant Manistee, Crawford	Total
\$ -	\$ -	\$ 875,219
35,136	108,770	8,328,910
-	-	2,971
-	-	2,726,340
-	-	55,550
-	-	2,746
35,136	108,770	11,991,736
17,045	59,147	6,322,822
9,201	24,129	3,100,304
-	-	33,075
687	5,102	2,766,807
-	175	17,447
-	202	589,648
236	1,072	77,404
1,634	6,293	419,523
357	211	118,427
55	512	32,853
3,701	9,158	1,194,825
270	5,739	31,065
666	2,942	123,287
33,852	114,682	14,827,487
1,284	(5,912)	(2,835,751)
-	-	1,530,576
-	-	1,175,714
-	-	106,444
-0-	-0-	2,812,734
\$ 1,284	\$ (5,912)	\$ (23,017)

District Health Department No. 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

Federal Grantor/Pass-thru grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Revenues	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Michigan Department of Community Health				
Supplemental Food Program for Women, Infants, and Children	10.557			
WIC		XX4W1006	\$ 1,116,435	\$ 1,116,435
WIC Infrastructure		2007W1011	2,291	2,291
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,118,726	1,118,726
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan Department of Community Health				
Housing Opportunities for Persons With AIDS	14.241	MI28H95 F036	49,016	49,016
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Michigan Department of Community Health				
Cap grant for the Drinking Water Revolving Fund	66.468	FS97548704	4,350	4,350
Operator Certification Expense Reimbursement Grant	66.471	CT975861	35,350	35,350
Beach Monitoring and Notification Program Grant	66.472	CU97592401	17,846	17,846
TOTAL ENVIRONMENTAL PROTECTION AGENCY			57,546	57,546
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Human Services				
Temporary Assistance to Needy Families ^(a)	93.558			
Lake County 3 to 5 grant		SFSC 06-43004-2	35,136	35,136
Lake, Mason, Oceana 0-3 Prevention Grant		CTFPR-05-53001	139,536	139,536
Crawford, Manistee 0-3 Prevention Grant		CTFPR-07-20001	108,770	108,770
Teen Parent Grant		TP-06-62001	64,963	64,963
			348,405	348,405

District Health Department No. 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

<u>Federal Grantor/Pass-thru grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Northwest Michigan Community Health Agency Medical Assistance Program (Medicaid Title XII) Oral Health Medicaid Outreach	93.778	N/A	\$ 25,000	\$ 25,000
Passed through Northern Michigan Substance Abuse Services Block Grants for the Prevention and Treatment of Substance Abuse ^(b) Tobacco checks - planning	93.959	N/A	6,163	6,163
Passed through Michigan Region 7 Medical Bio-defense Network National Bioterrorism Hospital Preparedness Program	93.889	MOU# FY05-13	3,455	3,455
Passed through Michigan Department of Community Health Family Planning - Services	93.217	2007134	102,862	102,862
Abstinence Education Program Michigan Abstinence Partnership	93.235	2007134	162,000	162,000
Immunizations ^(a) Immunization Field Service Rep Immunizations IAP Immunizations Vaccine supply	93.268	2007134 2007134 2007134 2007134	117,984 101,199 10,950 2,072,291	117,984 101,199 10,950 2,072,291
			2,302,424	2,302,424
Center for Disease Control - Investigations and Technical Assistance ^(a) Emergency Preparedness BCCCP Coordination Pandemic Flu Wise Woman Colorectal cancer screening Family Planning demo	93.283	2007134 2007134 2007134 2007134 2007134 2007134	226,173 172,078 125,838 75,421 40,000 6,000	226,173 172,078 125,838 75,421 40,000 6,000
			645,510	645,510

District Health Department No. 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

<u>Federal Grantor/Pass-thru grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Medical Assistance Program (Medicaid Title XII)	93.778			
CSHCS-LBS		2007134	\$ 64,644	\$ 64,644
Case Management/Care Coordination		2007134	53,866	53,866
			118,510	118,510
Maternal and Child Health Services Block Grant	93.994			
Family Planning		2007134	95,131	95,131
Child Health			65,000	65,000
Healthy Futures			28,358	28,358
Family Planning			20,807	20,807
CSHCS-LBS			43,965	43,965
			253,261	253,261
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			3,967,590	3,967,590
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 5,192,878	\$ 5,192,878
			(c)	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District Health Department No. 10 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Denotes program tested as major.
- (b) Reported amounts represent the portion of the grant which is considered Federal. The Federal participation in this program is 80%
- (c) The following reconciles the federal revenues reported in the September 30, 2007, fund financial statements to the expenditures of the Department administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	\$ 8,328,910
<u>Less: Portions of grant funding considered "State" funding</u>	<u>(3,136,032)</u>
	<u>\$ 5,192,878</u>

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Public Health
District Health Department No. 10
White Cloud, Michigan

We have audited the financial statements of the governmental activities and the major fund of the District Health Department No. 10 as of and for the year ended September 30, 2007, which collectively comprise District Health Department No. 10's basic financial statements and have issued our report thereon dated February 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District Health Department No. 10's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

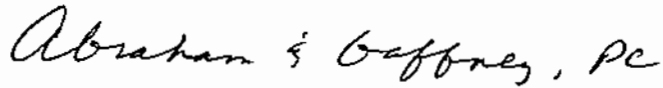
Compliance and Other Matters

As part of obtaining reasonable assurance about whether District Health Department No. 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1 and 2007-2.

District Health Department No. 10's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit District Health Department No. 10's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Public Health of District Health Department No. 10, others within the entity, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 18, 2008

Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Public Health
District Health Department No. 10
White Cloud, Michigan

Compliance

We have audited the compliance of District Health Department No. 10 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2007. District Health Department No. 10's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District Health Department No. 10's management. Our responsibility is to express an opinion on District Health Department No. 10's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about District Health Department No. 10's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District Health Department No. 10's compliance with those requirements.

In our opinion, District Health Department No. 10 complied, in all material respects, with the requirements referred to above that are applicable to each its major Federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

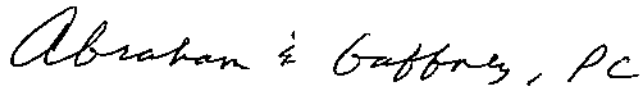
The management of District Health Department No. 10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered District Health Department No. 10's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District Health Department No. 10's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and the Board of Public Health of District Health Department No. 10, others within the entity, the Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 18, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X NoSignificant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reportedNoncompliance material to financial statements noted? _____ Yes X No**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? _____ Yes X NoSignificant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? X Yes _____ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.268

93.283

93.558

Immunization Grants
Centers for Disease Control and Prevention -
Investigations and Technical Assistance
Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No**Section II - Financial Statement Findings****2007-1 INVESTMENT POLICY REQUIRED BY MICHIGAN COMPILED LAW****Condition:** The Department has not adopted an investment policy as required by State law.**Criteria:** Michigan Compiled Law (MCL 129.95) requires the governing body of all public corporations to formally adopt an investment policy that includes, at a minimum, all of the following:

(a) A statement of the purpose, scope, and objectives, of the policy, including safety, diversification, liquidity, and return on investment.

(b) A delegation of authority to make investments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

Section II - Financial Statement Findings - continued

2007-1 INVESTMENT POLICY REQUIRED BY MICHIGAN COMPILED LAW - CONTINUED

(c) A list of authorized investment instruments. If the policy authorizes an investment in mutual funds, it shall indicate whether the authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share or also includes securities whose net asset value per share may fluctuate on a periodic basis.

(d) A statement concerning safekeeping, custody, and prudence.

In addition to the requirements of State law, Governmental Accounting Standards Board Statement #40 (GASB 40) requires the disclosure of the Department's investment policies related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk (if applicable).

Effect: The Department is not in compliance with MCL 129.95.

Recommendation: We recommend the Board adopt a formal investment policy that complies with Public Act 20 of 1943 and GASB 40. Such formal adoption should be documented in the minutes to the Board meeting.

Corrective Action Response: District Health Department #10 Board of Health will be adopting an Investment policy. This policy will include a statement of the purpose, scope and objectives, a delegation of authority to make investments, a list of authorized investment instruments, and a statement regarding safekeeping, custody and prudence.

2007-2 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the Department's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the Special Revenue Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the Department to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The Department adopted the budget for the Special Revenue fund at the total expenditure level. Having unfavorable budget variances as described above, the Department is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the Department continue to monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Corrective Action Response: The FY07 budget did not include a value for State Vaccine. The actual expenditures and actual revenues included this value of vaccine, and therefore the variance between actual and budget was unfavorable. Current budgets will include a value for State Vaccine.

Section III - Federal Award Findings and Questioned Costs

None

District Health Department No. 10

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2007

There were no findings disclosed for the past two years.